
Schedule Of Findings

1. The District Should Ensure That Teachers Provide Adequate Documentation Of Hours Spent Earning Incentive Pay

During our review of payroll records supporting incentive pay to teachers, we found that the district did not obtain sufficient documentation from the teachers to ensure that payments are made only for identifiable and measurable work performed. In fact, the district only requires an annual signed statement from each teacher, listing the activities included in the original supplemental contract. Also, no time records are maintained by the teacher, documenting actual time spent for each of the contracted activities.

Attorney General Opinion 89-15 states in part:

In order to be lawful, "incentive payments" made to school district personnel under the authority of RCW 28A.400.200(4) must be related to some identifiable, measurable, "incentive" defined in a district policy or contract and amounting to more than the performance of duties and functions defined by statute as "basic education."

A school district must retain documentation of eligibility for payments . . . but the exact form of the documentation depends on the nature of the payments

Without time records to support actual work performed by teachers to earn their "incentive payments," the district cannot be assured the terms of the supplemental contracts were fulfilled.

We recommend that teachers submit time records documenting actual work performed for activities listed in their supplemental contracts. These time records should contain at least the dates and number of hours

worked, activity, employee's signature and supervisor's initials, and should be submitted and approved at least once a month.

2. The District Should Monitor Associated Student Body (ASB) Activities And Ensure That State Laws And The School Accounting Manual Are Followed

Our review of the district's ASB funds identified the following internal control weaknesses:

a. Soft Drink Sales:

(1) Procedures have not been established to reconcile receipts with purchases and remaining inventory.

(2) Collections are left unsecured and unattended on the central treasurer's desk after collection.

b. Cash Receipts:

(1) Receipts for ASB activities are not supported by appropriate documentation to substantiate the amount.

(2) Receipts for ASB activities are not counted and substantiated in the presence of the person submitting the deposit to the central treasurer.

(3) Receipts are not reconciled to the district's accounting system at the school level.

c. Activity Accounts:

(1) Activity account balance records are not maintained to record encumbrances, expenditures and revenues.

(2) Several activity accounts incurred negative balances during the year.

d. Imprest Account:

(1) A running balance of the bank account was not maintained after each recorded transaction.

(2) The account was not reconciled to bank statements on a monthly basis.

(3) Not all entries were recorded in ink.

e. Other ASB:

(1) The Petty Cash Fund was not reconciled to the authorized amount upon replenishment through the voucher system.

The ASB activity is not being accounted for as required to adequately safeguard funds, increasing the risk that a loss or misappropriation could occur and not be detected by management in a timely manner.

We recommend that the district provide personnel with adequate resources and training to ensure that ASB activities are properly accounted for at all schools.

We further recommend that the district monitor ASB activities to ensure that controls are in place and operating as designed.

3. The District's Board Of Directors Should Meet Monthly And Approve Payroll And Claims At An Open Public Meeting

During our review of board meetings we found that the board of directors failed to convene a monthly meeting three times during fiscal year 1993. An audit committee composed of two board members approved vouchers during the months that the board did not hold a public meeting.

RCW 28A.315.510 states in part:

Regular meetings of the board of directors of any school district shall be held monthly or more often at such a time as the board of directors by resolution shall determine or the bylaws of the board may prescribe

RCW 28A.330.090 states in part, no:

money or appropriation shall be paid out of the school fund except on a recorded affirmative vote of the majority of . . . the board

Apparently, the board of directors was not aware of these requirements.

Without holding a monthly public board meeting at which claims and payroll are to be reviewed and approved, the district is prevented from conducting authorized business transactions.

To comply with state law, we recommend that the district's board of directors convene at least monthly in to order approve claims and payroll costs.

Schedule Of Federal Findings

1. District Payroll Charges Should Comply With Federal Regulations

The district improperly charged budgeted payroll costs as actual payroll costs to the Federal ECIA Chapter 1 Remediation program. Our testing of charges to federal programs through the payroll system included identification of the source, and determination of whether the payroll costs represented time actually spent on federal program activities. We found that three certificated employees' salaries were charged according to a predetermined rate which was based on preliminary personnel assignments. This practice resulted in recording budgeted payroll costs as actual payroll costs without adequate support for these charges.

The U.S. Office of Management (OMB) Circular A-87 states that:

Salaries and wages of employees chargeable to more than one grant program or cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

Apparently, district officials were unaware of these requirements.

In the absence of a system that meets the federal requirements, salary and benefits charged to federal programs cannot be supported by documentation of time actually spent on activities allowable for federal programs. Lack of adequate payroll documentation could result in payroll costs being charged to federal programs which vary from resources that were actually dedicated to that program.

The absence of employee-certified time and effort reports has resulted in questioned costs of \$16,738 in salaries and \$4,836 in benefits charged to the Chapter 1 program.

We recommend the district implement a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll. Employees should fill out reports reflecting after-the-fact distribution of time actually spent on federal programs. These reports should be prepared monthly and should be signed by the individual employee and a responsible supervisory official having first hand knowledge of the activities performed by the employee.